

EXHIBIT 55



GOVERNMENT OF PUERTO RICO
Puerto Rico Fiscal Agency and Financial
Advisory Authority



MEMORANDUM

To: Executive Committee of the Board of Directors of Puerto Rico Fiscal Agency and Financial Advisory Authority

From: Gerardo J. Portela Franco

Date: July 29, 2018

Re: Preliminary PREPA Restructuring Support Agreement

This memorandum addresses the potential approval of the Preliminary Restructuring Support Agreement (together with the exhibits attached thereto, which include, without limitation the Term Sheet (as defined therein) attached thereto as Exhibit B) (the “Preliminary RSA”) dated as of July 30, 2018 by and between (i) Puerto Rico Electric Power Authority (“PREPA”), (ii) the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), in its capacity as fiscal agent and financial advisor for PREPA, (iii) the Financial Oversight and Management Board for Puerto Rico (“FOMB”), (iv) the members of the Ad Hoc Group of PREPA Bondholders identified on Annex A of the Preliminary RSA, and (v) any other persons who beneficially own or control Uninsured Bonds and are party to the Preliminary RSA or execute a joinder to the Preliminary RSA.¹ *For the reasons set forth herein, I recommend the Board of Directors approve the Preliminary RSA and authorize negotiations of the definitive documents.*

Overview

The Preliminary RSA contemplates the exchange of the power revenue and revenue refunding bonds into Securitization Bonds to be issued by the Puerto Rico Electric Power Authority Revitalization Corporation (or a new bankruptcy-remote special purpose vehicle). The Securitization Bonds include Tranche A Bonds and Tranche B Bonds, each secured by the Transition Charge. The Preliminary RSA contemplates that the Transition Charge is set at the following levels: (i) 2.636 c/kWh for years 1-5, (ii) 2.729 c/kWh for years 6-10, (iii) 2.868 c/kWh in year 11 and (iv) beginning in year 12, the Transition Charge will increase by 2.500% over the prior year’s Transition Charge, provided that the Transition Charge will be capped at 4.348 c/kWh. The Preliminary RSA is effectively an agreement to agree which provides the parties an opportunity to negotiate the definitive documents to implement the contemplated transaction without punitive remedies in the event of the termination of the Preliminary RSA or the parties are unable to agree on definitive terms. A summary of the material terms of the transaction contemplated by the Preliminary RSA and the material terms of the Securitization Bonds is attached hereto as Exhibit A.

¹ Capitalized terms used herein but otherwise not defined shall have the meaning ascribed to such term in the Preliminary RSA.



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Considerations

The transaction contemplated by the Preliminary RSA provides certain benefits, including, without limitation, the following:

1. The Preliminary RSA provides a positive path forward that should facilitate discussions with other creditors regarding a consensual resolution of all claims.
2. The Preliminary RSA provides a framework for discussions with potential transformation partners regarding a resolution to the restructuring of PREPA's bonds.
3. The announcement of a consensual transaction undercuts the arguments advanced by certain members of the United States Congress that PROMESA is ineffective and that federalization or further intervention by the Federal government is warranted or required.
4. PREPA's management and new Board of Directors will benefit from the momentum afforded by the positive progress reflected in the proposed transaction.
5. The economics proposed in the Preliminary RSA are acceptable as this proposal should facilitate lower electrical prices in the future and it provides a more favorable resolution than the transaction contemplated in the original restructuring support agreement, based on a contingent fixed charge.
6. The Preliminary RSA is effectively an agreement to agree, which creates momentum for the parties but does not bind AAFAA or PREPA to anything other than the base economics contained in the Preliminary RSA and the obligation of PREPA to pay certain fees.

Future issues that would need to be addressed in the negotiations for the definitive restructuring support agreement

The transaction provided in the Preliminary RSA creates several issues, including the following:

1. The initial signatories to the Preliminary RSA will not have the votes to actually deliver the transaction. In order to obtain the necessary votes, the fuel line lenders or Assured Guaranty will have to agree to support the transaction, which could create a floor and the monolines and/or fuel line lenders may attempt to negotiate a more favorable transaction.
2. Litigation with certain parties remains likely and there are certain issues related to the confirmation of this transaction that are challenging.



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3. There is a colorable argument that the bondholders' lien on the revenues is defective and litigation related to that issue may result in a lower recovery by bondholders. We note, however, that the litigation and its results are uncertain. We also note that (i) the bondholders would retain a strong argument regarding the best interests test and an argument that PREPA could afford to charge a higher rate, (ii) litigation, including resolving the likely appeals, would substantially delay the transformation process and (iii) the transaction contemplated by the Preliminary RSA facilitates the transformation process. To the extent that the Preliminary RSA is terminated - or the transaction contemplated by the Preliminary RSA is not completed - the argument related to the validity of the bondholders' lien has not been waived or negatively impacted.
4. The proposed transition charge provided in the Preliminary RSA does not include the pensions, therefore, the pension issues will have to be addressed separately.